

Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 SP-02 USIA-15 AID-05 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
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E.O. 11652: N/A
TAGS: EFIN
SUBJ: POSITIVE POSTURE OF EXPORT-IMPORT BANK

REF: (A) STATE 70331, (B) STATE 14670

1. EMBASSY NOTES WITH INTEREST NEW EXIMBANK INITIATIVE
RAISED REF A EMPHASIZING EXIM ACTIVITIES, THOUGH POST NOT
IN RECEIPT OF APPARENTLY MORE DETAILED INFORMATION TRANS-
MITTED VIA REF B.

2. WHILE IN OUR VIEW ANY EXIM PUBLICITY CAMPAIGN IN
EGYPT MUST BE UNDERTAKEN CAUTIOUSLY, UNLESS EXIM
ACTUALLY PREPARED TO DO BUSINESS IN EGYPT, GOE IS
CERTAINLY INTERESTED IN EXIM FACILITIES, PARTICULARLY
IN COMMERCIAL SITUATIONS WHERE MAJOR U. S. PURCHASE
IS CONTEMPLATED. CASE IN POINT IS RECENT PROPOSAL
THAT EGYPTAIR EXPAND MIDDLE EAST-MEDITERRANEAN AIR
CARGO SERVICE DEDICATING MAJOR PORTION OF EGYPTAIR
ACTIVITIES TO CARGO HANDLING. PLANNERS BELIEVE PUR-
CHASE SEVERAL NEW BOEING AIRCRAFT REQUIRED FOR CON-
TEMPLATED EXPANSION AND FINANCIAL ADVISORS TO PROJECT
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(E.G., TUTINO OF ALLAN & CO) HAVE BROACHED SUBJECT OF
FINANCING WITH EXIMBANK. EGYPTAIR AND GOE, OF COURSE,
SEE ADVANTAGES TO EXIM PARTICIPATION IN POSSIBLE \$50
MILLION DEAL. DURING RECENT CONVERSATION WITH
AMBASSADOR, TUTINO COMMENTED THAT EXIM WOULD
BE INTERESTED IN SUCH A PROJECT IF EGYPT WOULD AGREE TO
ESCROW PORTION OF FOREIGN EXCHANGE EARNINGS FROM

PROJECT IN CREDITOR OR THIRD-PARTY CONTROLLED ACCOUNT
TO ASSURE THEIR AVAILABILITY FOR DEBT SERVICING.

3. WOULD APPRECIATE KNOWING IF ABOVE ACCURATELY REFLECTS
EXIM'S POSITION ON BOEING SALE AND WHETHER OR NOT EXIM
CONSIDERING INCREASED ACTIVITY IN EGYPT IF REPAYMENT
ARRANGEMENTS AS DESCRIBED ABOVE EVOLVE. AS WORD OF
CAUTION, HOWEVER, WE DO NOT BELIEVE "SUBORDINATE ACCOUNT"
ARRANGEMENT WHICH LIMITS GOE ACCESS TO EGYPTAIR'S FOREIGN
EARNINGS WILL PLEASE EGYPTIANS. SUCH PROCEDURES,
PREVALENT IN PRE-NASSER PERIOD, ARE HEAVILY CRITICIZED
AND MAY GENERATE ANTAGONISM AND RESISTANCE. MOREOVER,
DO NOT BELIEVE IT WOULD BE ACCEPTABLE APPROACH TO TAKE
ON EVERY EXIMBANK LOAN.

4. BEFORE PROCEEDING WITH DISSEMINATION OF INFORMATION
AND PUBLICITY, BELIEVE IT NECESSARY THAT EXIM CLARIFY
EXTENT TO WHICH POLICY APPLIES TO EGYPT AND IF RENEWED
EFFORT WILL BE MADE TO INCREASE EXIM ACTIVITY HERE.
WE NOTE THAT SUCH PUBLICITY TENDS TO RAISE EXPECTATIONS
AND IF IT DOES NOT LEAD TO CONCRETE RESULTS, WILL BE
COUNTER-PRODUCTIVE. EILTS

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